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ABSTRACT

This fastback document examines small education businesses that provide direct and personal instructional service to clients. Although education private-practice enterprises have not received the attention that high-profile companies have commanded, there are thousands of such one- and two-person enterprises. These practices work with and support the public schools through contractual arrangements that allow their skills to be used for direct intervention for a relatively modest cost. But before starting a practice, entrepreneurs should understand that the quality and cost of their services will become known to the client population through advertising, word-of-mouth, and testimonials; that the geographic area in which services are to be provided must be identified; and that start-up costs should be manageable. Furthermore, a business plan is needed to determine the potential market, to secure financing, and to adhere to legal requirements. Small business-development centers can help with such plans. The entrepreneur must then acquire clients through advertising, conference attendance, or other means. General advertising, however, rarely justifies the cost of the ads. Once the business is operational, a daily operational plan should be initiated and oral and written reports generated. Business owners should also expect to handle inquiries that will not lead to contracts. (RJM)

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FASTBACK

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Education Private Practice

Dennis C. Zuelke

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Dennis Zuelke also is the author of a book on private practice for educators, *Educational Private Practice: Your Opportunities in the Changing Education Marketplace* (Technomic, 1996).

Series Editor, Donovan R. Walling

Education Private Practice

by
Dennis C. Zuelke

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Introduction

Much media attention has been given to the high-profile corporate businesses engaged in managing entire schools. For example, the trials and tribulations of Education Alternatives Inc. (now the TesseracT Group) have been and continue to be well chronicled (Furtwengler 1998). Other education management organizations have received almost as much publicity: Edison Project, New American Schools Development Corporation, Alternative Public Schools Inc. (now Beacon Educational Management, L.L.C.), Nobel Education Dynamics Inc., and Public Strategies Group Inc. are examples. These organizations offer a myriad of services that include funding promising innovative programs, infusing capital funds in financially poor schools, providing much-needed leadership, and operating schools from building maintenance to curriculum development.

Next to the high-profile private enterprises is a mid-level set of for-profit private companies that specialize in particular kinds of instructional or curricular services. These companies do not work with millions of dollars of infusion capital for beleaguered schools or get

involved in the complex business of operating entire schools. Instead, they often employ "freelance" educators interested in using their talents more effectively. As examples, Science Encounters, Berlitz International, Sylvan Learning Systems, Imperial Tutoring and Educational Services, and Ombudsman Inc. employ "specialists," who provide such services as elementary school science instruction, foreign language instruction, teaching basic skills to at-risk children on an individualized basis, and so forth. Some of these companies, such as Sylvan Learning Systems, are franchises that educators can purchase.

The high-profile and mid-level companies all face similar criticisms from their opponents. These criticisms include teacher union-inspired claims that private companies offer services at "cut-rate" prices, do not provide security for employees, and otherwise cut corners to squeeze out profits. Ultimately, the criticism boils down to one dictum: *private ventures undermine the democratic institution of the public school.*

While much fearful attention has been given to these various enterprises, many small business entrepreneurs in education operate exclusively and quietly out of their homes or small offices. Private practitioners in education can be found in almost every city; many advertise their services locally. They thrive on low overhead costs and direct, personal service to clients. And their clients range from parents of children who need tutoring to businesses that want to upgrade their employees' grammar skills to schools that need teachers for specific courses (or units) or certain hard-to-reach children.

Examples of these small education businesses include Eureka Learning Center (Owensboro, Kentucky), Home Tutoring Opportunities (Meadow Vista, California), Instructional Materials Depot Inc. (West Allis, Wisconsin), Tiss's Tutoring and Testing (Vienna, Virginia), Learning Exchange (Brookfield, Wisconsin), Learning to Achieve (New Port Richey, Florida), Northshore Learning Alliance (Woodinville, Washington), Ostler Consulting L.L.C. (Hartland, Wisconsin), Pacific Coast Learning Center Ltd. (Brookings, Oregon), The Learning Place (Abilene, Kansas), and Wetzel Educational Services (Simpsonville, South Carolina). These examples represent the numerous, recent, education private practices, all begun in 1995 or later, that have spread across the country and involve only one or two full-time staff members.

This fastback examines education private practice as characterized by this latter group of entrepreneurs.

Basic Assumptions of Private Practice

Education private practice enterprises have not received the attention that the high-profile companies have commanded. Yet there are thousands of such one- and two-person enterprises, and the growth potential for education private practice is vast. These entrepreneurs seek to work with and support the public schools through contractual arrangements that allow their abilities and skills to be used for direct intervention in curriculum and instruction at the local school-community level for relatively modest cost.

Teaching positions in public schools will likely be available, especially for those who are willing to relocate; and the vast majority of beginning and experienced educators will continue to be employees of public school districts. However, for experienced teachers subjected to incessant reduction-in-force practices and frustrated by public school system bureaucracies or for those teachers unable to move to places where teaching jobs exist in abundance, private practice can be considered.

Education private practice is best undertaken by experienced educators. One of the crucial advantages for

persons starting an education private practice is experience with the client population and the goodwill and credibility that such experience can bring. A person unknown to the client population will likely have difficulty obtaining business at the startup of a private practice. A separate, though related, issue is that teacher education institutions do nothing to inform or educate preservice teachers about education private practice as an alternative to working in a public or private school.

But newcomers also may find work in private practice. With the numbers of "at-risk" students, from kindergarten through grade 12, in the United States today, the need abounds for additional reading services, tutoring in various subjects, and help with study skills. Every person who graduates from a teacher education program has some ability and knowledge to supplement a school's efforts to assist at-risk students. Where the need is great, parents and school officials will likely welcome the services that even "new" teachers in private practice can provide.

Recent graduates of teacher education programs also might contract with an existing private practice, perhaps part-time at first, to develop the "feel" for what it is like to be an educator in private practice. Many private practitioners are eager to team up with others; therefore, not having prior experience as someone else's employee is not necessarily an inhibiting factor. In any case, recent graduates of teacher education programs would do well to gain an awareness of how private practice may fit into their professional lives as an alternative to employment in public or private schools.

In understanding the services to be offered, the private practitioner's reputation, as well as expertise and prior experience, is important. For example, if services to small schools are offered, the private practitioner should be familiar with people involved in such schools on a state or regional basis. Familiarity is largely determined by the private practitioner's attendance at and participation in small-school conferences, previous long-term employment in small schools, written problem-solving commentary in state or regional small-school literature, and active participation on statewide or regional small-schools committees or task forces. Such participation creates a favorable impression on potential clients.

A basic principle is at work: The background — familiarity with clients, reputation, experience, and training — that private practitioners bring to the services they intend to offer creates a basis for clear communication with clients.

Teachers going into private practice must be aware of what potential clients (in agencies, schools, or businesses) need in terms of instructional or curricular assistance. Because a private practice teacher likely will be working directly with employees, teachers, and students at a client's site, understanding what to expect, what to do, and how to do it are crucial to forming the client's perception of the private practice teacher's expertise and, consequently, the teacher's credibility.

Before a private practitioner can market his or her services successfully, he or she needs to understand a few key factors:

- The quality and cost of the private practitioner's services will become known to the client population through advertising, word-of-mouth, and endorsements or testimonials. Professional experience within the area over a period of years can be crucial to initial success. And repeat clients are necessary to sustain a private practice into the future. Therefore, when the practitioner's services meet the needs of clients, the private practitioner's reputation and good name grow.
- The geographic area in which services are to be provided needs to be identified. It should be small enough to serve clients efficiently and yet large enough to offer the number of clients needed to sustain the private practice. Moreover, the private practitioner's office (or base of operations) needs to be located in the service area to minimize any "outsider" image.
- Start-up costs should be manageable so that it is possible to earn a reasonable rate of return on any investment within a five-year period. Competition will need to be met, and some losses must be sustainable in order to reach long-term success.

These factors can be daunting for the solo practitioner, who may benefit from forming a partnership with another private practitioner or joining an already successful private practice enterprise.

The first two factors can be influenced by careful research that looks at service needs, the most advantageous geographic area, competition, and related factors.

The third factor can be controlled most readily by operating out of one's home, rather than renting space.

However, self-motivation is the overriding factor. Ultimately, it is an educator's strong desire to make a positive difference in the lives of others by combining expertise and entrepreneurial drive that will attract and hold clients.

On the pages that follow, I describe how an educator can develop a private practice, from an initial business plan to issues that must be addressed once the enterprise is up and running.

Developing the Practice

A business plan should be developed prior to starting a private practice. Although some private practitioners wait to do so until after starting a business, perhaps on a part-time basis, there are several good reasons for preparing a detailed written plan from the outset.

First, a business plan should help to determine whether there is a sustainable market for the proposed service. Second, a plan will help to assess where the need for service might be. Third, a business plan can help one discover how willing are clients in the identified service area to use the proposed service, based on financial considerations, competition, and client trust of the private practitioner. Fourth, a written business plan usually is a necessary document for securing financing from a bank or other lending institution. Finally, a business plan hones a private practitioner's ability to identify, develop, and implement strategies relevant to the critical skills of successful private practice.

Seeking Advice

Advice and guidelines for writing a business plan can be obtained from a local small business development

center (SBDC), where counselors are available to provide assistance in person and through literature. These personnel also will review and critique a completed business plan. The nearest SBDC often can be found on a local university campus, where prospective entrepreneurs can obtain free "Guidelines for Preparing a Business Plan."

Some SBDC offices may be more adept at serving entrepreneurs who fit the traditional business profile. They may not be able to advise on some services traditionally reserved for the public sector, such as education. Therefore the education private practitioner also would be wise to obtain the advice of other experienced private practitioners doing similar work.

A business plan can help the private practitioner achieve some perspective on his or her strengths and weaknesses. By the time all the questions are answered and the business plan is completed, the private practitioner should know whether to continue with the private practice, postpone it, or abandon it altogether. It is better to put the time and effort into a business plan prior to or at the very beginning of a private practice than to face potential financial disaster and loss of professional credibility by being ill-prepared.

Surveying the Market

A beginning step in developing a private practice is to survey the intended service area. Who are the potential clients? What services do they need? What competition will be encountered?

Information that can be obtained directly from potential clients often is the most valuable. Many local SBDC offices can supply survey formats that the private practitioner can adapt. And the SBDC library of books and pamphlets should prove helpful with topics to be included in a market survey.

The survey instrument should be brief. A workable limit is both sides of a single 8½" x 11" sheet of paper. Items should be stated clearly and concisely, and a five-point multiple-choice scale is usually adequate. In addition to the scale-response items, it can be useful to include a section of "yes-no" and open-ended questions. The sample survey on pages 18-19 provides an example. The survey form also would include optional name and address spaces for respondents (and spaces for other pertinent contact information) and information about how to return the survey upon completion.

If market research surveys are mailed to potential clients, a succinct cover letter should be included to explain the purpose of the survey and to solicit the recipient's cooperation in answering the questions and returning the survey promptly. Including a stamped, self-addressed return envelope will encourage recipients to return the survey.

The private practitioner can obtain mailing lists of potential clients from state government agencies or commercial mailing-list companies. Alternatively, the practitioner can develop a personal mailing list from directories available through associations and government offices. In metropolitan areas the business pages of the telephone book may be helpful in developing a mailing list.

Sample Survey Questions

Instructions: Please complete the brief survey below by placing a check mark in one or more of the spaces.

Response Key:
- **a** - Helpful to my school district.
- **b** - Helpful to other school districts.
- **c** - Uncertain about value to my school district.
- **d** - Uncertain about value to other school districts.
- **e** - Not needed.

	a	b	c	d	e
1. When a superintendency vacancy occurs, an outside consultant could assist the school board in that search.					
2. When a principal, business manager, or other administrative vacancy occurs, an outside consultant could assist the superintendent in that search.					
3. When problems relating to equity or appropriate classification of administrative, office, or other support positions occur, an outside consultant could do position studies to help resolve the problems.					
4. When a long-range school district plan is needed, an outside consultant could guide and coordinate the development process and provide updating procedures.					

5. When a school district desires to develop or revise goals, objectives, and performance standards with input from inside and outside the local school, an outside consultant could guide and coordinate that development. — — — — —

6. When the need arises for a new approach to collective bargaining in the school district, an outside consultant could assist the parties in developing collaborative or cooperative approaches to bargaining that carry over into other areas of professional concern. — — — — —

7. If an outside consultant's services are desired for any of the activities noted in items 1 through 6, my school board would allocate funds for such services. ___ yes ___ no

8. Do other education consultants solicit business from your school district? ___ yes ___ no

   If yes, can you provide their names?

9. Are there other areas of concern for which a consultant's services might be employed to assist the school district? Please describe them. ___ yes ___ no

10. Other comments that might help a consultant to better serve your school district:

If possible, the entire population of potential clients in the geographic market area should be surveyed. But when the population is large, say more than 500, a sampling procedure may be appropriate. Selection and sampling procedures are discussed in basic research texts. A useful resource is L.R. Gay's *Educational Research: Competencies for Analysis and Application* (Macmillan, 1996).

Generally in social science research, one can expect 50% of the surveys to be returned (Gay 1996). This number should be factored into the planning process. If a large enough return is not achieved initially, the private practitioner may follow up with a second mailing *if* the surveys have been coded for identification so that the practitioner can determine who did and did not respond. Personal visits or telephone follow-up calls are other options.

Private practitioners can learn much about their clients and the market for their services from a well-designed survey. Survey results can be used to tailor services to most effectively meet the needs of the clientele, and a business plan can be developed accordingly.

However, it should be kept in mind that perceptual survey responses can be volatile; what clients say on one day may be different from what they would say on another day. Therefore information obtained from other sources — government agencies, the SBDC, professional associations, the professional literature, and one's own experience with the client population — also must be used along with the survey.

Acquiring Clients

There are several ways to promote a small education private practice. One way is through advertising. Regional or state professional association journals or newsletters usually offer advertising space at reasonable rates. Virtually all publications provide advertising "rate cards" on request.

Direct-mail advertising is another possibility. Informal, one-time letters of introduction sent to state education leaders and potential clients in the identified market area can be helpful. More formalized direct-mail ads can be sent to potential clients identified through the survey process. A well-designed brochure describing the services offered by the private practice can be invaluable.

Attendance at area and state meetings/conferences of educators is another way to make a private practice known to potential clients. Periodic meetings of area educators that combine socializing, eating dinner, and after-dinner program activities are opportunities to communicate the availability of services and distribute brochures to the attendees. The annual state convention of school board members and administrators affords the opportunity to discuss the services of the private practice and to leave brochures.

As a private practice gains experience, a major factor in acquiring new clients will be "advertising" that comes by word of mouth from satisfied clients. Testimonials are one of the strongest assets that a private practice can have.

Reputation as a private practitioner also can be built indirectly. The private practitioner may be called on to chair a session at a conference, to be a discussant or critic during a session, or to participate as a panelist in a symposium. These activities have little to do *directly* with the private practice, but they provide visibility for the practitioner, which is an excellent way to build a solid reputation in addition to the private practice itself.

As a rule, general advertising should be avoided. Placing advertisements in local newspapers, in publications not related to the services of the private practice, on billboards, or on radio or television is rarely cost-effective. One exception is advertising in the business pages of local and regional telephone books. It also will be helpful to consider using a toll-free telephone number if the market area extends beyond the local calling area.

Another exception to the rule of thumb against general advertising is an Internet site or website. As the Internet becomes more widely accepted as a source of information, private practices that maintain Internet sites may find this communication tool increasingly helpful to promote services or to sell products. Indeed, the maintenance of an Internet site is becoming as routine in the business world as toll-free numbers, e-mail, and fax capability, all of which ought to be available to the private practice as well.

E-mail and fax capability, a toll-free number, and an Internet site all complement the standard business accouterments of printed letterhead stationery, business cards, and the brochure of services I mentioned earlier.

These items all serve as forms of advertising and promote the private practice.

In addition to advertising, whether print or direct mail, and serendipitous contacts, such as at conferences, many private practitioners actively "prospect" for clients on a personal basis. They visit superintendents or other executives, introduce themselves, and discuss the services they can provide. Such visits require that the practitioner think through in advance whom to visit and what to discuss in order to make the most productive use of this time-consuming strategy.

Visits to the state department of education and the various state education associations also can result in recommendations to school districts to use the private practitioner's services. When school districts have problems they cannot address on their own, their superintendents or board presidents sometimes contact the state-level agencies or associations for assistance. These organizations often do not have the personnel or expertise in-house but can serve as a referral source. That can be the tie to the private practitioner.

The costs involved in advertising and prospecting typically are not recovered immediately. The private practitioner likely will pay for advertising, mailings, trips to conferences, and prospecting visits for several months (if not longer) before such efforts begin to pay off in client inquiries, requests for proposals, and contracts for services. These expenses must be included in planning start-up costs.

In consideration of the real possibility that money will be spent for a period of time, especially for adver-

tising and prospecting, before any income occurs, the private practitioner would be well-advised to have at least $10,000 available to use at the start of a small private practice. If two or more educators join in a private practice and already have their own computer equipment and intend to work out of their homes, raising this amount of capital should not be difficult. With imagination and a good measure of self-confidence, an education private practitioner should be able and willing to risk such an investment for future financial gain.

A final point with regard to acquiring clients is worth mentioning: One of the mistakes small business or self-employed persons make is to cut back on formal advertising when business is slow or declines. While there may be a natural tendency to pull in or "hunker down" when times are temporarily tough, the decision to reduce the visibility of the business only serves to further discourage business, if not eliminate it altogether. Therefore a financial "cushion" is needed to continue visibility through consistent, sustained advertising during the cycle of up-and-down activity that appears to be a characteristic of education private practice.

Planning Day-to-Day Work

A daily operational plan is most valuable when two or more practitioners establish a private practice together. Following is a series of steps that can help control day-to-day operation:

1. A client contacts either partner with a service need. Usually this contact is made by telephone, which

allows the practitioner to clarify the client's need during this initial contact. This can be considered as Day One.

2. The partners confer and determine if service can be provided to the client.
3. If the client's needs can be served, the partners discuss their level of involvement, costs and fees, types of services, and so on, to arrive at a proposal for consultant services that includes a proposed budget and timeline. This step usually is accomplished by Day Two.
4. Within 48 hours the contacted practitioner should be able to respond to the client with a firm proposal. This proposal can be made by telephone, or a formal written proposal can be submitted. The latter is more likely when competitive bids have been sought by the client.
5. By Day Two or Three, the client may respond to the practitioners' proposal, terms may be negotiated, and a final agreement made. Often arriving at the final agreement will require some give and take not only between practitioner and client but also between the partner practitioners.
6. A contract or letter of agreement is drawn up and service begins in accordance with the agreement. This step usually is accomplished by Day Four.

After the agreement is reached, service may take whatever amount of time has been deemed necessary. A cost sheet is prepared, and costs are entered as they are incurred. At the conclusion of service the practi-

tioners prepare a final report and a bill for services rendered. The report normally is presented in writing, but it also may be conveyed orally to a school board, an administrative staff group, or an individual.

Long-term projects may require one or more interim reports, or progress reports, and a mid-point bill for services may be agreed on in addition to the final report and final bill. It should be kept in mind that these steps are general suggestions. Large or unusual projects will require their own adjustments.

The solo private practitioner also should consider developing a day-to-day operational plan. Such a plan can serve to keep the practitioner on task.

Part of day-to-day operation consists of maintaining a high level of professional conduct. That is the only way to build and keep credibility, which is the key to client confidence and trust. Trust builds business. Some hints for building credibility include:

- Maintain a professional demeanor. Dress appropriately. Take the client's commission seriously. Stay on task.
- Always be on time, whether to formal events (meetings, presentations) or to informal events (breakfasts, dinners, social get-togethers). And always take time; do not give the impression that you are in a hurry or do not have time to address the client's concerns.
- Be prepared — mentally and emotionally — for all encounters with the client and others in the course of the job. Never show anger.

- Always give more — more information, more advice, more time — than is strictly required. Go the "extra mile."
- Finish on time or early. Fulfill the service agreement within the specified time and provide a thorough report. Make certain that the client's expectations are met fully.

These "hints" are worthy of serious consideration, regardless of how small or large the project may be. Repeat business is necessary for success in private practice, and only satisfied clients are likely to hire the same practitioner twice. Satisfied clients also tell others about their experience, which can generate new business.

Reports

Both oral and written reports will be required for almost all private practice services. For complex or lengthy projects, one or more interim reports may be necessary before the final report. Depending on the project, interim reports also might be oral (such as appearing before a board or committee or simply meeting with the client) or written.

Without question, reports must be timely and thorough. Often it is good practice to share a draft report with the client prior to finalizing the report. This procedure can avoid errors and surprises that might undermine the practitioner's work.

The private practitioner should anticipate the client's need for reports in responding to a potential client's call for proposals. The proposal should specify the number

and kinds of reports that the practitioner is prepared to deliver. There also should be an indication of the questions that the reports will answer. And when the practitioner presents the report, he or she should be prepared to expand on the formal contents by answering additional, related questions raised by the client.

One method for anticipating the client's reporting needs is to interview the prospective client prior to submitting a proposal. What service does the client need? What questions or concerns will the practitioner's service address? What should be included in any report? What questions should be answered? How detailed should the answers be? The better the practitioner understands the client's needs and wishes, the better he or she can provide service and then report on the client's concerns.

"Fishing Expeditions" and Rejections

A private practitioner may be subjected to "false" requests for proposals. These requests are "fishing expeditions" in which the client has little or no intention of acting on any proposal. Clients may want to gather information for future planning, satisfy their curiosity, or respond to some political situation in the school system. These clients are satisfied to get the information in the "free" proposal.

Unfortunately, it often is difficult to tell genuine client interest from a fishing expedition, and experience is about the only guide. In coping with fishing expeditions, it is important to consider proposal costs in terms

of time and money. For example, the issue of travel expenses might arise. To determine whether a client is serious, especially if the client and the practitioner are some distance from one another, the practitioner might insist that the potential client pay travel expenses for any required interviews or for the practitioner to consult on site prior to submitting a proposal for service. Travel expenses are a hedge against the larger costs of preparing a formal proposal, which include substantial amounts of practitioner time.

Inevitably the private practitioner will experience rejection of a proposal from time to time. The competitive private practitioner will find it difficult to accept any rejections, but it is unrealistic to assume that every proposal or client contact will result in a contract. When rejection does occur, the private practitioner must respond to it professionally.

Following are some positive steps in responding to rejection:

- Thank the client in writing for considering the proposal.
- Offer to submit a proposal in the future should the client be interested in your services.
- Suggest that, if the competitor selected for some reason cannot fulfill the agreement, you would be willing to resubmit your proposal.

This response usually is expressed in writing; however, it can be reiterated in a follow-up telephone conversation with the client.

It is important to remember that the rejection of a specific proposal is not necessarily a rejection of the private practitioner. A proactive response to rejection maintains goodwill and can set the stage for future acceptance.

Legal Matters in Private Practice

States and municipalities have a variety of legal requirements for establishing small businesses. In addition to determining the type of business organization — sole proprietorship, partnership, or corporation (I will discuss these in a moment) — the private practitioner needs to be aware of legal requirements pertaining to such matters as patents, trademarks, service marks, or copyrights related to the services and products offered; special licenses, registrations, and taxes; and office-related matters, such as building codes, zoning ordinances, and property restrictions.

If the private practitioner employs others, such as a secretary or receptionist, then he or she also must be concerned about payroll matters, Occupational Safety and Health Act (OSHA) requirements, workers' compensation and unemployment insurance, and related issues.

From the client's standpoint there also may be legal ramifications in dealing with the private practitioner. Some state statutes give local school boards broad authority to contract with private practitioners for instruc-

tional purposes. Other states permit local school boards to contract with private practitioners only for specific instructional programs, such as programs for at-risk or special education students. The education private practitioner should obtain an appropriate legal opinion at the state and local levels before offering instructional and curricular services to the public schools.

Seeking Advice

This fastback cannot substitute for obtaining sound legal advice from a competent authority in the locale of the private practitioner.

Local, state, and federal bureaucracies oversee licensing, reporting, and tax-filing requirements that can affect the private practitioner. A small business, such as an education private practice, is not necessarily exempt from requirements that often are associated with larger corporations. Fortunately all of these entities maintain offices to which the private practitioner can look for assistance in complying with applicable laws and regulations. For example, a state department of revenue office usually can provide brochures and forms related to taxes of various kinds, ranging from sales taxes that the practitioner may be obligated to collect to unemployment taxes that the practitioner is obligated to pay if he or she employs a secretary or assistant.

The private practitioner would be well-advised to develop a working relationship with a competent certified public accountant and a business attorney in order to obtain sound advice on business matters.

Structuring the Practice

Private practitioners have three options from which to choose the kind of business they wish to operate: a sole proprietorship, a partnership, or a corporation. If practicing alone, the *sole proprietorship* usually is the best choice. If practicing with one or more partners, a *partnership* can be an option. Forming a *corporation* can be done by an individual but is more likely to be a choice when several partners work together and want the benefits of limited financial liability, tax advantages (dividends can be declared and taxed separately from wages), and the ability to issue corporate stock to investors as well as the corporation's owners. The choice should be made after consultation with a business attorney and other knowledgeable persons (accountant, SBDC personnel, securities advisor, and other small-business persons).

Private practitioners considering incorporation likely will look at an "S" corporation form of business. Generally, a corporation is a separate entity from the individuals in it. Officers are elected to form a corporate board, but the owners may choose to be the only officers and share the various roles among themselves. This board determines policies for the corporation and makes the major decisions about the course of the business. A corporation has the right to sue and be sued, as does an individual. A corporation files tax returns and pays taxes in its own name. Within such an arrangement, the private practitioner has limited financial liability and is not responsible for corporate debts beyond

his or her own investment. A corporation can operate in perpetuity, issue stock to shareholders, and pay dividends to shareholders as well as wages and salaries to corporate officers and employees. Thus "seed" money, such as for special projects, can be raised through the issuance of stock.

Previously I mentioned the advisability of locating an accountant (preferably a CPA). Accounting assistance is one of the most important "helps" in getting started, and having a professional to turn to can help the practitioner avoid costly mistakes. For example, conducting a private practice from a home may result in tax benefits. A business attorney, tax advisor, or accountant can sort out the issues. An accountant also can help the private practitioner be proactive in communicating with state and federal agencies that have legal interests in the organizational status and finances of a private practice.

Speaking of the place of business: When starting a small private practice, a private practitioner's business address will likely be his or her home. If there are enough partners at the start, perhaps office or laboratory space will be leased. In any case, the official business address is where government notices, updates, tax statements, questionnaires, and other correspondence is sent. This address and telephone number should be on all advertising and correspondence to clients. It will be the address by which a private practice will become known to the client population.

Ideally this office should be centrally located in the geographic market area for easier access to and by clients.

In some cases this consideration may mean relocation for a private practitioner. But strategic location also should be considered in relation to the nature of the private practice. An office near a major airport, for example, could be a better choice than a central location for a private practitioner who has clients over a wide geographic area.

Charging Fees

Most private practitioners attempt to conform to the "going rate" when it comes to their fees. The going rate is what other private practitioners charge in the same market area, which takes into account what school boards and other potential clients are willing to pay for a service. State school boards associations or state/regional education consultants or private practice associations may be helpful in advising on the appropriate fee for a particular service or product.

The "state rate" is what state government agencies pay for outside services, such as management consulting, auditing, teaching, and staff training. The "state rate" may be viewed as the going rate for certain items, such as the daily fee (eight hours) for consulting, mileage, lodging, and meals. Federal rates or common rates in the private sector of the area also can be used for these items.

Although fees may be set in advance, the private practitioner also should be flexible enough to negotiate with clients. Clients want the most for their money and often seek to maximize the services they receive for the

least cost. If clients are small school systems or human service agencies, it is wise to emphasize reasonable cost from the start of the client relationship. Then a willingness to negotiate specific fees should be offered.

Typically the private practitioner quotes a fee based on the work sought by the client. This "up-front" strategy helps the client assess whether the work can be afforded. Rarely do clients quote a price they are willing to pay before knowing what fee a private practitioner wants for a service. However, clients usually do have some idea of what they can afford to pay, based either on previous inquiries to other consultants or on the organization's financial condition.

Some rules of thumb are worth mentioning:

- Always be willing to negotiate with a client after quoting an initial price.
- Ask clients what they think is a fair price for the service they want.
- Engage the client in conversation, probing for more details about what is wanted, before quoting a subsequent price.

These strategies often lead to the client's acceptance of the fee without further negotiation.

Generally, fee discussions take place in person or by telephone, and so it is important for the practitioner to follow up with a written agreement. This agreement can be expressed in a letter, or a formal contract can be drawn up. A letter similar to the sample on pages 38-39 is sufficient for most small-scale projects. For large, multifaceted projects involving thousands of dollars, both parties will

find it advantageous to have a signed contract based on a mutually acceptable proposal.

Some may view this rather "loose" agreement letter as risky. However, education private practitioners should remember that they are dealing with people who are almost always ethical in their contacts with external agents, especially if they are fellow educators. Often a quick bond of collegiality forms between the client and the private practitioner. Furthermore, public agencies, including school systems, are stable institutions with continuous revenues, so payment of legitimate fees is seldom in question.

There is a rule of thumb that one needs to charge enough for services, projects, and products so that clients will view them as significant and worthwhile. Private practitioners who offer workshops or seminars, for example, face the prospect of fewer attendees if they charge $25 per person instead of $50, $75, or even $100. Attendees want to believe that the information, insights, and skills they will obtain are going to be of significant value, worth taking time away from their jobs. The private practitioner needs to be aware of this pricing phenomenon and act accordingly. This is not to say that fees should be inflated. Rather, services and products should be tailored to be highly valuable.

Subcontracting

The private practitioner may find it convenient to subcontract certain services, for example, word processing. If numerous client reports or research studies are

Dear _____:

This letter is a follow-up to our telephone conversation last week concerning position equity studies. Given the situation in your district as you described it to me, I would like to clarify the service we will provide. To determine whether the employees in certain positions are performing enough work and in the appropriate ways for the time allocated to the positions they occupy, several steps in studying the positions would occur.

First, each employee would be asked to complete a position information form. The completed form should then be reviewed for accuracy and completeness by a supervisor. The completed forms will be studied by the consultants. Then an interview with the employee will occur to clarify and expand on information in the form. Typically, an interview lasts an hour (more than one employee could be interviewed at the same time).

Second, each employee will be asked to keep a log of activities for approximately two consecutive weeks. Entries should be made at 15-minute intervals. This record will give the consultants an impression of how much time is spent on major, minor, and typical duties.

Third, some employees may be observed by the consultants as they do their jobs. In these cases, employees could be observed for a whole day or part of a day on different dates during a specified time period. This step would occur if the position information form, interview, and time log are not sufficient to obtain a good understanding of the position or the employee's work in the position.

Fourth, a description for each position will be prepared by the consultants. Each description should be reviewed by a supervisor and the employee. The description will be finalized after such review.

Fifth, the consultants will make internal comparisons between positions and between employees occupying the same position.

Sixth, as a result of the comparisons, the consultants will make recommendations concerning improvements in the efficiency/effectiveness of the employees or changes in the number of employees or positions for each group studied. The consultants may use data from a sample of school districts of similar size to help in making the comparisons and recommendations.

As I mentioned on the telephone, my partner and I could study only the clerical staff or all the support staff or any combination. The steps outlined above would be used for all groups of personnel studied. We will charge $175 per employee plus expenses to study the four full-time clerical positions. Expenses include lodging, meals, and mileage (24.5 cents per mile). If one or more additional groups of support staff (custodial, food service, or transportation personnel) are studied, the fee would be $3,250. This fee would include our expenses.

I trust this information clarifies the consulting services involved in studying the support positions in your district and will be helpful to you and the board in understanding the extent of our services. Thank you for choosing us to do your position equity studies. My partner and I look forward to working with you and your staff.

Sincerely,

generated, outside word-processing services may be worthwhile. When using clerical-type services, however, the private practitioner can have difficulty convincing a state government that such services are subcontracted to independent contractors. There are some 20 factors that the IRS (and states) use to determine whether a person is an independent contractor, including a continuing relationship, set hours of work, work done on premises, tools and materials, profit and loss, and working for more than one person.

This issue can be important because the government may mistakenly view persons intended to be independent contractors as employees of the private practitioner, thus making the private practitioner liable for unemployment compensation and payroll taxes. Private practitioners are most likely to be challenged on this matter if they use the same person(s) on a continuing basis for subcontracted services.

When additional professional services are required, the private practitioner may want to consider inviting the person(s) involved to join the private practice as partners. If the private practice is an "S" corporation, other professionals could purchase shares of stock and become part owners and possibly officers in the business.

Insurance and Benefits

In addition to a business attorney and a CPA, the private practitioner likely will need access to an independent insurance agent. Such an agent can provide the various forms of insurance necessary to protect the business. The

agent can assist in obtaining worker's compensation insurance from a state-approved provider, life insurance for the private practitioner and any partners, and disability insurance.

Professional liability insurance also should be considered in the event that the private practitioner is sued by displeased clients or those affected by decisions clients make as a result of the private practitioner's advice or recommendations. Professional liability insurance is available to full-time education private practitioners through various professional education associations. The American Educational Research Association (AERA), for example, makes available professional liability insurance in amounts from $1,000,000 to $3,000,000 for sole proprietors, partnerships, and corporations. The Association for Supervision and Curriculum Development (ASCD) also has a plan for a sole proprietor without any employees. There are separate premium rates for private practitioners who wish to cover employees and for corporations and partnerships. These associations use agents/brokers who can make available virtually any combination or package of insurance policies to their members who are in private practice, including independent contractors who work with the private practitioner. Group liability insurance also is available through membership in the Association of Educators in Private Practice (AEPP).

An independent insurance agent may be able to put together health insurance coverage as part of a package with other insurance policies already discussed. The private practitioner may be covered through a spouse's

health insurance plan. But, again, professional associations, such as AERA, make available numerous health insurance plans to their members. The National Association for the Self-Employed (NASE) may be helpful with health insurance when several private practitioners are in business together or when other employees are included in the private practice.

If the education private practitioner separates from public education employment (and, in some cases, from private education employment), he or she likely will cease to be an active member of a state- or private employer-supported retirement plan. Regardless of the type of private practice organization, retirement plans are available. Corporate plans include pensions, profit-sharing, 401(K), and stock purchase plans. Noncorporate plans include individual retirement accounts (IRA), Keogh (both pension and profit-sharing), and simplified employee plans (SEP). As in the previous instances, the advice and assistance of an independent insurance agent can be very helpful.

Private Practice in the United States

Thousands of educators are engaged in private practice across the United States. The press reports daily on one venture or another. Despite all the attention that the high-profile companies get, stories of small education private practices appear frequently, attesting to the viability of private practice. For example, *The Education Industry Report*, published by the Education Industry Publishing Group in Sioux Falls, South Dakota, reports on the condition of education-related businesses (many of them stock-issuing public corporations) on a monthly basis. The Reason Foundation also has produced numerous reports on the privatization of government services, including Beales and O'Leary's *Making School Work* (1993), Beales' *Teacher, Inc.* (1994) and Beales' *Meeting the Challenge* (1996).

The Association of Educators in Private Practice annually distributes an *Index of Opportunities* that profiles numerous education private practitioners and their companies. The *Education Industry Directory* is a resource guide that profiles for-profit education companies and

is published by Edu Ventures Inc. and the *Education Industry Report*. Some private practitioners produce their own informational newsletters, such as Ombudsman Educational Services Ltd. And Edward E. Gordon, president of Imperial Tutoring and Educational Services, has written tutoring-related fastbacks for the Phi Delta Kappa Educational Foundation.

Association of Educators in Private Practice

The AEPP, established in 1990, has more than 700 members nationwide; and its membership continues to grow. According to AEPP Executive Director Chris Yelich, the association's goal is to assist members in succeeding in private practice and to provide options for educators other than as employees of a school system. Headquartered in Watertown, Wisconsin, the AEPP is a networking service and conduit for education private practice professionals. Through its newsletter *Enterprising Educators*, Internet website, and annual Edventures Conference, this association makes members aware of what is happening in education private practice around the country and identifies contacts for private practice information of various kinds. Publications, meetings, start-ups of new private practices, what members are doing professionally, news stories on private practice, and legislature initiatives on private practice are among the items printed in the newsletter, which is distributed to members several times a year. A membership directory also is available.

AEPP offers two categories of membership based on the size of one's private practice. Others, non-private

practitioners, may join as non-voting members. Efforts are made periodically to update information on members, and members are solicited for newsletter information that may be useful to others. Nearly all communication is designed to inform and update the self-employed or small-firm private practitioner.

AEPP Executive Director Chris Yelich has stated that the mental, emotional, and financial risk that private practice requires may not be for the majority of teachers. However, educators who see private practice as an "inviting challenge" need a "support system of others engaged in the same process" (Wenger 1994, p. 3). Starting and sustaining a private practice is difficult, at times frustrating, and sometimes lonely. According to Yelich, the AEPP exists to assist such enterprising educators.

The Association of Educators in Private Practice is located at 104 West Main Street, Suite 101 (or P.O. Box 348), Watertown, WI 53094. The telephone number is 1-800-252-3280; fax 1-920-206-1475.

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The Phi Delta Kappa Educational Foundation was established on 13 October 1966 with the signing, by Dr. George H. Reavis, of the irrevocable trust agreement creating the Phi Delta Kappa Educational Foundation Trust.

George H. Reavis (1883-1970) entered the education profession after graduating from Warrensburg Missouri State Teachers College in 1906 and the University of Missouri in 1911. He went on to earn an M.A. and a Ph.D. at Columbia University. Dr. Reavis served as Assistant Superintendent of Schools in Maryland and Dean of the College of Arts and Sciences and the School of Education at the University of Pittsburgh. In 1929 he was appointed director of instruction for the Ohio State Department of Education. But it was as assistant superintendent for curriculum and instruction in the Cincinnati public schools (1939-48) that he rose to national prominence.

Dr. Reavis' dream for the Educational Foundation was to make it possible for educators to write and publish the wisdom they acquired through professional activity. He wanted educators and the general public to "better understand the nature of the educative process and the relation of education to human welfare."

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